

2013 DRAFTING REQUEST

Assembly Amendment (AA-AB40)

Received:	5/28/2013	Received By:	pgrant
Wanted:	As time permits	Same as LRB:	
For:	Legislative Fiscal Bureau 6-5996	By/Representing:	Pope
May Contact:		Drafter:	pgrant
Subject:	Higher Education - UW System	Addl. Drafters:	
		Extra Copies:	MDK

Submit via email: **YES**
Requester's email: **Legislative Fiscal Bureau**
Carbon copy (CC) to:

Pre Topic:

LFB:.....Pope -

Topic:

Account balances; tuition and fee limits

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	pgrant 5/28/2013	evinz 5/28/2013		_____			
/1	pgrant 5/30/2013	evinz 5/30/2013	jfrantze 5/30/2013	_____	lparisi 5/28/2013		
/2	mkunkel 6/5/2013			_____	lparisi 5/30/2013		
/3	pgrant	evinz	jmurphy	_____	srose		

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	6/7/2013	6/7/2013	6/7/2013	_____	6/5/2013		
/4				_____	lparisi		
				_____	6/7/2013		

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/2	mkunkel 6/5/2013			_____	lparisi 5/30/2013		
/3		kfollett	rschluet	_____	strose		

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Jim
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Jim + JB
6/7

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/2		13/5/13 6/5/13	8/5/13	_____	lparisi 5/30/2013		

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/1			rschluet 5/28/2013	_____	lparisi 5/28/2013		

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Representative Nygren
Senator Darling
Senator Harsdorf
Representative Strachota

UNIVERSITY OF WISCONSIN SYSTEM
HIGHER EDUCATIONAL AIDS BOARD

Omnibus Motion
[LFB Papers #365 to 367, #675 to 683]

Motion:

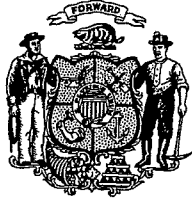
Move to make the following modifications to the bill related to the University of Wisconsin System:

1. *PR Appropriation Balances:* Direct the UW System to develop an appropriate methodology to calculate the tuition and extension fees appropriation balances and other relevant appropriation balances. Require the UW System to submit this proposed methodology to the Joint Audit Committee by September 1, 2013, for its review and approval. In addition, require the UW System to submit proposed appropriation balance limits for the UW System as a whole, and for individual UW institutions and related reporting requirements, by January 1, 2014, to the Joint Finance Committee for approval through a 14-day passive review process. Further, require the submission for JFC approval to also include UW System policies regarding: (1) the annual distribution of tuition revenues and state GPR funds to UW institutions; and (2) the expenditure of GPR funds and tuition revenues during the fiscal year.

In addition, adopt Alternative #B1 of Paper #675, which would specify that undergraduate, resident tuition in 2013-14 and 2014-15 cannot exceed the amount charged at each institution in 2012-13. Specify that only differential tuitions approved prior to June 1, 2011, would be exempt from this limit. In addition, specify that the allocable portion of segregated fees charged at each UW institution in 2013-14 and 2014-15 cannot exceed the amount charged in 2012-13.

2. *GPR Funding Increase and Compensation Plans:* Adopt Alternative #4 of Paper #676 which would transfer the GPR funding provided for compensation increases for UW employees to the compensation reserve and delete the related statutory language. In addition, delay the effective date of provisions adopted under 2011 Act 32 related to the creation of personnel systems for UW employees that would be separate from the state personnel system until July 1, 2015. Specify that the personnel systems would have to be approved by the Joint Committee on Employment Relations before they could take effect. [-\$32,388,500 GPR and \$32,388,500 GPR compensation reserves in 2013-14 and -\$57,056,000 GPR and \$57,056,000 GPR compensation reserves in 2014-15]

3. *Base Budget Reduction:* Reduce the UW System's GPR general program operations appropriation by \$32,844,300 annually.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 23, 2013

Joint Committee on Finance

Paper #675

PR Appropriation Balances (UW System)

CURRENT LAW

In general, the UW System's program revenue (PR) appropriations are continuing appropriations that allow the UW System to carry balances from one year to another. The Board of Regents is prohibited from accumulating auxiliary reserve funds of more than 15% of the previous fiscal year's total revenues from student segregated fees and auxiliary operations funded by students fees unless the reserve funds are approved by the Secretary of the Department of Administration (DOA) and the Joint Committee on Finance. There are no other current law limits on the amount of PR balances the UW System may accumulate.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Maintaining operating balances is a common practice across both the private and public sectors. These funds can be drawn down to support operations in the case of a shortfall of revenues or other emergencies and to provide start-up funds for new programs. The level of UW System operating balances is a matter of policy that could be appropriately decided by the Board of Regents, to whom the statutes grant primary governance responsibility for the UW System, the state Legislature, or both. In crafting a policy regarding operating balances, policymakers should balance the UW System's ongoing need to manage its finances with the public policy goal of keeping higher education affordable for state residents by controlling tuition increases.

2. Current and prior law allows the UW System to accumulate balances related to its program revenue (PR) appropriations. Under 2011 Act 32, most of the UW System's PR appropriations were collapsed into five PR appropriations. Prior to 2011 Act 32, UW PR

appropriations included: academic student fees (tuition); federal aid; auxiliary enterprises; gifts and donations; federal aid -- loans and grants; general operations receipts; federal indirect cost reimbursement; auxiliary enterprises -- UW-Madison intercollegiate athletics; services provided to the UW Hospitals and Clinics Authority; extension student fees; State Laboratory of Hygiene; gifts and grants -- UW-Madison intercollegiate athletics; and other smaller appropriations. Although most of these appropriations were deleted under 2011 Act 32, the UW System has continued to internally track program revenues based on prior law fund codes allowing for comparisons to be made between 2011-12 and prior fiscal years.

3. The UW System's program revenue (PR) appropriation balances have increased significantly during the past ten years. Table 1 shows the balance of the academic student fees (tuition), extension student fees appropriations and the total balance of all UW System PR appropriations (including the tuition and extension student fees appropriations) on June 30 of each fiscal year from 2002-03 to 2011-12. As shown in the table, the tuition and extension student fees appropriation balances increased more than six-fold over that period of time from \$70.5 million on June 30, 2003, to \$459.5 million on June 30, 2012. Over the same period of time, the UW System's total PR appropriation balance increased more than three-fold, from \$287.1 million on June 30, 2003, to \$1,045.2 million on June 30, 2012.

TABLE 1
PR Appropriation Closing Balances
2002-03 to 2011-12
(\$ in Millions)

	<u>Tuition</u>	<u>Extension Student Fees</u>	<u>Tuition and Extension Fees</u>	<u>Total PR Balances</u>
2002-03	\$62.1	\$8.4	\$70.5	\$287.1
2003-04	63.0	12.9	75.9	232.3
2004-05	87.6	10.5	98.1	268.2
2005-06	109.3	13.6	122.9	315.2
2006-07	145.5	14.0	159.5	405.9
2007-08	161.2	20.7	181.9	443.6
2008-09	212.8	22.9	235.7	563.7
2009-10	277.5	33.2	310.7	649.6
2010-11	393.3	38.5	431.8	836.8
2011-12	414.1	45.4	459.5	1,045.2

4. Similar to public and private entities, UW institutions maintain operational balances as a means of managing risk. It could be argued that UW institutions have increased their operational balances over the past decade in response to an increase in perceived risks. In the past, the primary risk faced by institutions was an unexpected decline in enrollment. Lower enrollments result in lower tuition revenues and could mean that an institution does not have enough revenues to fund its costs in a particular year.

5. UW leaders have stated that additional reductions in GPR funding are currently the most significant risk faced by UW institutions. Four of the last five biennial budgets have included significant GPR funding reductions for the UW System: the 2003-05 biennial budget reduced funding for the UW System by \$250,000,000 over the biennium; the 2005-07 biennial budget reduced funding for the UW System by \$90,000,000; the 2009-11 biennial budget reduced funding for the UW System by \$120,061,600; and the 2011-13 biennial budget reduced funding for the UW System by \$250,250,000. In addition, the UW System has been required to lapse additional funds to the general fund over the last three biennium including: \$16.3 million in 2007-08, \$36.9 million in 2008-09, \$44.4 million in 2009-10, \$46.1 million in 2011-12, and a proposed \$19.6 million in 2012-13. UW officials have suggested that the increase in the UW System's PR appropriation balances is the result of multiple layers of managers accumulating moneys in anticipation of future GPR reductions and required lapses. Other risks faced by the UW System may include a reduction in private donations or trust fund income due to an economic downturn or other factors.

6. The UW System has also stated that higher PR appropriation balances may be appropriate given that more of their programs are now funded on a cost recovery basis. Cost recovery programs are funded entirely by tuition and fee revenue and do not receive any GPR funds. The UW System has also said that a substantial portion of its PR appropriation balances have been accumulated to fund new programs including the Schools of Public Health and Freshwater Sciences at UW-Milwaukee, an expansion of the School of Engineering at UW-Madison, the flexible option degree program, and other programs related to the UW System's growth agenda.

7. While it is easy to understand why institutional managers would be motivated to accumulate fund balances, it is more difficult to understand precisely how they did so during a period of reduced state support. In particular, the tuition revenue appropriation balance increased by \$20.8 million in 2011-12, the same year in which GPR funding for the UW System was reduced by \$125.1 million and the UW System was required to fund a \$46.1 million lapse.

8. Table 1 shows that the tuition and extension student fees appropriations balances totaled \$459.5 million of June 30, 2012, or 44% of the UW System's total PR appropriation balances. While it may be desirable for the UW System to accumulate PR appropriation balances as a means of managing risk and funding new programs, the state has an interest in keeping tuition rates low as a means of maintaining affordability for resident students. The Board of Regents increased base resident undergraduate tuition by 5.5% in each year from 2007-08 to 2012-13. Given that the tuition appropriation balance increased in each of those years, one could argue that the tuition increases approved by the Board of Regents were higher than were necessary to fund the UW System's ongoing operations.

9. Data on student indebtedness shows that the percentage of students who graduate with student loan debt and the amount of that debt has increased in recent years indicating that many resident students and their families have not been able to afford these tuition increases. Based on data from the UW System, 67% of resident undergraduates who completed a bachelor's degree in 2006-07 graduated with some student loan debt; student loan debt averaged \$21,104 for those students. By 2011-12, the percentage of resident undergraduates who graduated with debt had

increased to 72% and the average amount of debt those students had increased to \$28,002. Base resident undergraduate tuition and average student debt have increased by approximately the same amount over that time period. From 2006-07 to 2011-12, base resident tuition increased by a total of 30.7% while average student debt increased by 32.7%.

10. The UW System has stated that a substantial portion of its tuition revenue appropriation balance was generated by increases in enrollments as opposed to increases in tuition. Enrollments did increase significantly in many of the years shown in Table 1. For example, from 2008-09 to 2009-10, total enrollment increased by 2.48%. Based on this increase, approximately \$24.7 million of the total increase in tuition revenue of \$95.7 million may have been generated by increases in enrollment. The remainder of the increase in tuition revenue (\$71.0 million) may be attributable to the 5.5% increase in resident undergraduate tuition, base tuition increases for other students, the implementation of differential tuitions at certain institutions, and other factors. Tuition revenues attributable to unanticipated increases in enrollment are generally not spent in the year in which they are generated, thus increasing the tuition revenue appropriation balance.

11. When discussing the level of net assets shown in the UW System's Annual Financial Report with the Board of Regents, UW System staff often use a calculation referred to as the "primary reserve ratio." The "primary reserve ratio" is calculated by dividing the sum of the UW System's unrestricted net assets and expendable restricted net assets by its operating expenses. (The UW System's net assets are reported using generally accepted accounting principles (GAAP) while the PR appropriation balances are reported on a budgetary basis.) On June 30, 2012, the UW System's unrestricted and expendable restricted net assets totaled \$1,134.4 million while its operating expenses for the previous fiscal year were \$4,482.9 million resulting in a "primary reserve ratio" of 25.3%. By comparison, the UW System's "primary reserve ratio" was 15.4% in 2007 based on information provided in the UW System's Annual Financial Report for 2007.

12. The National Association of State College and University Business Officers (NACUBO) recommends that institutions maintain a "primary reserve ratio" of 40%. UW System Administration staff have cited the NACUBO recommendation when discussing the UW System's Annual Financial Report at Board meetings, but have said that it is not a target. To provide additional context for UW System's "primary reserve ratio," UW System staff have provided financial information for peer universities and university systems. Financial information was collected for additional universities and university systems by this office. Table 2 shows the total available net assets (the sum of the unrestricted net assets and the expendable restricted net assets), operating expenses, and the "primary reserve ratio" for the UW System and 12 public university systems. Tables 3 and 4 show the same data for UW-Madison, UW-Milwaukee, and selected peer institutions. Except where noted, the data shown is for fiscal year 2012.

TABLE 2**Financial Information for Selected Public University Systems**

	<u>Total Available Net Assets</u>	<u>Total Expenses</u>	<u>Primary Reserve Ratio</u>
University of Texas System	\$12,988,541,000	\$13,735,388,000	94.6%
University of Missouri System	1,768,244,000	2,726,076,000	64.9
University of Colorado System*	1,127,439,000	2,539,249,000	44.4
University of Illinois	1,640,290,000	4,871,109,000	33.7
University of Massachusetts System	867,501,000	2,654,060,000	32.7
California State University System	1,988,023,000	6,253,631,000	31.8
Minnesota State Colleges & Universities*	547,446,000	1,903,985,000	28.8
University of Wisconsin System	1,134,389,000	4,482,910,000	25.3
University of California System	5,404,834,000	26,293,792,000	20.6
Pennsylvania State System of Higher Education	165,771,000	1,904,430,000	8.7
City University of New York System	257,547,000	4,138,727,000	6.2
University of Georgia System	-348,889,000	6,916,054,000	-5.0
State University of New York	-1,591,300,000	9,960,335,000	-16.0

* Information is for fiscal year 2011.

TABLE 3**Financial Information for UW-Madison and Selected Peer Institutions**

	<u>Total Available Net Assets</u>	<u>Total Expenses</u>	<u>Primary Reserve Ratio</u>
University of California-Berkeley	\$2,695,410,000	\$2,300,143,000	117.2%
Purdue University	2,019,304,000	1,860,009,000	108.6
Pennsylvania State University	4,721,860,000	4,587,163,000	102.9
University of Texas-Austin	2,503,865,000	2,442,851,000	102.5
University of Michigan	5,809,798,000	5,887,158,000	98.7
University of North Carolina-Chapel Hill	1,887,000,000	2,519,853,000	74.9
Michigan State University	1,319,735,000	1,988,166,000	66.4
University of Washington	2,512,516,000	3,970,537,000	63.3
University of Iowa	1,465,591,000	2,575,001,000	56.9
Indiana University	1,479,392,000	2,670,227,000	55.4
University of Minnesota	1,511,791,000	2,993,694,000	50.5
Ohio State University	2,210,887,000	4,636,450,000	47.7
University of California-Los Angeles	1,474,392,000	5,625,273,000	26.2
University of Wisconsin-Madison	541,859,000	2,351,452,000	23.0

TABLE 4**Financial Information for UW-Milwaukee and Selected Peer Institutions**

	Total Available <u>Net Assets</u>	Total <u>Expenses</u>	Primary <u>Reserve Ratio</u>
Temple University	\$1,525,400,000	\$2,292,842,000	66.5%
Rutgers*	1,136,834,000	1,802,440,000	63.1
Wayne State University*	371,956,000	839,987,000	44.3
University of Cincinnati	393,104,000	1,039,172,000	37.8
Cleveland State University	105,987,000	289,139,000	36.7
Georgia State University	132,894,000	593,195,000	22.4
University of Wisconsin-Milwaukee	85,319,000	509,504,000	16.7

* Information is for fiscal year 2011.

13. As shown in Table 2, the "primary reserve ratios" of public university systems vary widely. The UW System's "primary reserve ratio" of 25.3% is slightly below the median for the university systems shown of 28.8%. Tables 2 and 3 similarly show a wide variance in "primary reserve ratios" at large public universities; however, both UW-Milwaukee and UW-Madison have "primary reserve ratios" that are significantly less than those at the other institutions shown. However, the "primary reserve ratios" calculated for individual UW institutions may be somewhat misleading given the significant assets held UW System. For example, data provided by UW System officials shows that, of the \$414.1 million tuition appropriation balance for fiscal year 2012, \$127.5 million was held by UW System.

14. When comparing the financial statements of other universities and university systems, a number of additional factors should be considered. For example, some universities and university systems have the authority to issue bonds and therefore must keep additional reserves in order to secure debts and maintain favorable credit ratings. Examples of university systems that can issue debt include the University of Illinois, University of North Carolina System, the University of Missouri System, and the University of Texas System. By contrast, the state of Wisconsin issues debt on behalf of the UW System, which means that its debts are backed by the state's full faith and credit and that it is able to rely on the state's credit rating. In addition, some university systems operate benefits plans for their employees that may similarly require them to keep additional reserves. For example, the University of Colorado System provides post-retirement healthcare and life insurance benefits and a defined contribution retirement plan, the Pennsylvania State System of Higher Education provides a post-retirement defined benefits health care plan and tuition waivers for certain employees and their dependents, and the University of Texas System provides health insurance, dental insurance, life insurance, and other insurance programs for its employees. By contrast, all employee benefit programs for UW System employees are managed by the state Department of Employee Trust Funds.

15. In addition, the UW System's financial statements may not be reflective of all of the resources available to UW institutions. Most UW institutions have associated private foundations

that have been established for the benefit of the institution. Examples would include the University of Wisconsin Foundation, the Wisconsin Alumni Research Foundation, and the University of Wisconsin Medical Foundation, all of which were established in part to benefit UW-Madison. While there is no standard for calculating a university's or university system's "primary reserve ratio," NACUBO materials indicate that the assets and expenses of "component units," which would include foundations established for the benefit of an institution or system, should be considered. Because the UW System's financial report excludes financial information on these "component units," it may understate the UW System's true "primary reserve ratio."

16. UW System staff have indicated that the UW System President is working with Regent leadership to create a committee, consisting of Regents, chancellors, chief business officers, and others, to develop operating balance goals and reporting requirements. Allowing the Board of Regents to develop operating balance goals and reporting requirements may be appropriate given their status as the governing board of the UW System. However, given the importance of the public policy goal of maintaining a high quality system of higher education that is affordable for state residents, the Committee may determine that it is appropriate for the Legislature to have a role in establishing operating balance goals for the UW System and its institutions. One option may be to require the Board of Regents to submit proposed operating balance goals and reporting requirements to the Joint Committee on Finance for approval.

17. A second option would be to limit by law the amount of operating balances the Board of Regents could accumulate without the approval of the DOA Secretary and the Joint Finance Committee. This would be similar to the requirement under current law regarding the accumulation of auxiliary reserve funds.

18. The Legislature has limited the amount of auxiliary reserve funds UW institutions can accumulate since 1985. In that year, the Legislative Audit Bureau (LAB) found that many UW institutions had accumulated large cash reserves related to their auxiliary enterprises. Under 1985-87 biennial budget act, the Legislature used the \$22.6 million identified by the LAB as surplus reserve funds to partially offset tuition increases during the biennium and to support library acquisitions. The Legislature also prohibited the Board of Regents from accumulating auxiliary reserve funds without the approval of the DOA Secretary and the Joint Committee on Finance through passive review. Following the passage of the 1985-87 budget, the Board of Regents established reserve maxima for each institution and activity in consultation with LAB staff. These maxima were based on 2.5% of deferred maintenance costs, two years of debt service, two months of operating costs plus immediate needs and an allowance for planned major remodeling or new facilities. Under the 1997-99 biennial budget, the provision limiting the amount of auxiliary reserve funds was modified to require approval of the DOA Secretary and the Joint Committee on Finance only when a UW institution plans to accumulate auxiliary reserve funds in excess of 15% of the prior year's total revenues from auxiliary enterprises.

19. The 15% threshold adopted for auxiliary reserve funds may be higher than would be necessary for other PR appropriations including the tuition and extension student fees appropriations. First, the UW System's auxiliary enterprises are by definition self-supporting, meaning that they receive no state funding. Because state funding is provided for other activities,

such as instruction and academic support, a lesser amount of operating balances may be required for those activities. Second, revenues generated by auxiliary enterprises are used to repay program revenues supported borrowing issued by the state. This debt service represents a fixed cost that UW institutions are required to pay regardless of the level of revenues in any given year. As the state pays debt service related to bonds issued to build academic facilities, a lesser amount of tuition and extension student fees appropriation balances may be appropriate.

20. However, there is reason to believe that the current limit on auxiliary reserve funds may be too low. UW institutions are permitted to accumulate auxiliary reserve funds of greater than 15% of revenues if such action is approved by the DOA Secretary and the Joint Committee on Finance. In the most recent year, the UW System requested that nine of its 14 institutions be able to accumulate auxiliary reserves above that threshold. For all UW institutions combined, the planned auxiliary reserve balance for 2012-13 was \$103.7 million, equal to 21.7% of 2011-12 auxiliary revenues. While these balances may indicate that the current law limit on auxiliary reserve funds may be too low, they also demonstrate that such a limit can still provide a significant amount of flexibility to the institutions.

21. If the Committee chooses to limit the amount of PR appropriation balances that the Board of Regents can accumulate without the approval of the DOA Secretary and the Joint Committee on Finance, it may wish to limit tuition and extension student fees appropriation balances only, as these funds are most directly related to the public policy goal of maintaining a high quality system of higher education that is affordable for state residents. While the UW System has accumulated significant balances associated with other appropriations, these funds may be of lesser interest to the Legislature as they are not derived from student tuition and fees. The limit for the tuition and extension student fees appropriation balances may appropriately be expressed as a percentage of the amount budgeted for those revenues and the state GPR provided to the UW System, excluding debt service. These funds make up the UW System's "base budget" and provide primary support for the University's instructional, academic support, institutional support, and physical plant activities. As the UW System is prohibited from accumulating GPR appropriation balances, only tuition and extension student fees could be accumulated to create operating balances for these activities.

22. In 2011-12, the UW System's budget for tuition, extension student fees, and state GPR less debt service totaled \$2,112.1 million. Table 5 shows the amount of tuition and extension student fees the UW System would have been permitted to accumulate if the Legislature had limited the accumulation of such funds to various percentages of the UW System's "base budget" and the amount by which the UW System's tuition and extension student fees appropriation balances on June 30, 2012, exceeded those amounts.

TABLE 5

**Possible Limits on the UW System's Tuition and Extension Student Fee Balances
and the Amount by Which Current Balances Exceed Those Limits
(\$ in Millions)**

	<u>Limit*</u>	2011-12 Tuition and Extension Student Fees Appropriation <u>Balances Amount</u>	<u>Amount Above Limit</u>
10%	\$211.2	\$459.5	\$248.3
15%	316.8	459.5	142.7
20%	422.4	459.5	37.1

* Based on 2011-12 UW System combined tuition, extension student fees, and GPR budget less debt service of \$2,112.1 million

23. If the Committee elects to limit the amount of tuition and extension student fee revenue that the UW System may accumulate to an amount that is less than the current balances of these appropriations, a plan for the expenditure of the excess funds would have to be developed. Again, such a plan could be developed by the Board of Regents, the Legislature, or both.

24. A third option would be to direct the UW System, in consultation with the Legislative Audit Bureau (LAB), to develop an appropriate methodology to calculate the tuition and extension fees appropriation balances, and for other relevant appropriation balances. This option may be appropriate given the complexity of the issue and the difficulty in comparing the "primary reserve ratios" of public universities and university systems. It would also allow for the findings of an LAB audit currently being conducted related to this issue to be considered. The Committee could require the UW System to submit proposed appropriation balance limits for the UW System as a whole, and for individual UW institutions and related reporting requirements, to the Joint Committee on Finance for approval by March 1, 2014.

25. In the case of a tuition freeze, the Board of Regents could draw down the tuition appropriation balance to fund costs included in the biennial budget that generally would have been funded in part with revenues generated by tuition increases. These costs include standard budget adjustments, increases in fringe benefit costs and employee salaries, and energy costs. Based on information provided by the UW System and DOA, it is estimated that the Board of Regents would have had to increase tuition by an amount sufficient to generate \$21.8 million in 2013-14 and \$30.9 million in 2014-15 to fund these costs. The estimated tuition cost associated with each item is shown in Table 6. Based on these estimates, imposing a tuition freeze in both years of the biennium could reduce the amount of the tuition appropriation balance by a total of \$52.7 million. It should be noted that, in the case of a tuition freeze for resident undergraduates, some portion of these costs may be funded with additional tuition revenue generated by tuition increases for nonresident, graduate, and professional students or increases in enrollment, instead of funds from the tuition appropriation balance.

TABLE 6

**Estimated Tuition Costs Associated with GPR Funding
Changes Included in the Governor's Budget
(\$ in Millions)**

	Tuition Cost	
	<u>2013-14</u>	<u>2014-15</u>
Standard Budget Adjustments	\$3.9	\$3.9
Compensation Plans	15.3	23.9
Fuel and Utilities	<u>2.5</u>	<u>3.1</u>
Total	\$21.7	\$30.9

ALTERNATIVES

A. Oversight Relating to PR Balance

1. Require the Board of Regents to submit proposed PR appropriation balance goals and reporting requirements to the Joint Committee on Finance for approval.

2. Limit the amount of balances the Board of Regents may accumulate from tuition and extension student fees without the approval of the DOA Secretary and the Joint Committee on Finance, under a 14-day passive review process, to the following percentage of the UW System's combined GPR, tuition, and extension student fees budget less debt service in the same fiscal year. Require the Board of Regents to report both the gross amount of accumulated tuition and extension student fees and total PR appropriation balances annually by September 15.

- a. 10%
- b. 15%
- c. 20%

3. Direct the UW System, in consultation with the Legislative Audit Bureau, to develop an appropriate methodology to calculate the tuition and extension fees appropriation balances, and for other relevant appropriation balances. Require the UW System to submit proposed appropriation balance limits for the UW System as a whole, and for individual UW institutions and related reporting requirements, to the Joint Committee on Finance for approval by March 1, 2014, under a 14-day passive review process

4. Take no action. Under this alternative, the Board of Regents would determine the appropriate level of UW System PR appropriation balances and reporting requirements.

B. Tuition

1. Specify that undergraduate, resident tuition in 2013-14 and 2014-15 cannot exceed

the amount charged at each institution in 2012-13.

2. Take no action. Under this alternative, the Board of Regents would determine tuition levels.

Prepared by: Emily Pope

2013

Date (time)
needed _____

LRB b 0242 / 1 /

**LFB BUDGET AMENDMENT
[ONLY FOR LFB]**

(DN)

PG : rev : _____

See form **AMENDMENTS — COMPONENTS & ITEMS.**

**LFB AMENDMENT
TO 2013 ASSEMBLY BILL 40**

>>FOR JT. FIN. SUB. — NOT FOR INTRODUCTION<<

At the locations indicated, amend the bill as follows:

#. Page 1043[✓], line 20.: after that line insert :

#. Page , line :

#. Page , line :

#. Page , line :

#. Page , line :

#. Page , line :

CS
 ↓ (4) ACCOUNT BALANCES; METHODOLOGY.

~~AND LIMITS~~ ¶(a) The Board of Regents of the University of Wisconsin ^{System} shall develop a methodology for the calculation of balances in the tuition and extension fees accounts by the board. ⁱⁿ and other relevant accounts as determined. By September 1, 2013, the Board of Regents shall submit its ^{proposed} methodology to the Joint Legislative Audit Committee for approval, modification, or disapproval.

CS
 ¶(4m) LIMITS ON APPROPRIATION ACCOUNT BALANCES;
DISTRIBUTION AND EXPENDITURE OF FUNDS. ¶
 of the University of Wisconsin System
 (a) By January 1, 2014, the Board of Regents shall submit to the Joint Committee on Finance all of the following:
 Proposed
 1. Limits on account balances for the University of Wisconsin System as a whole and

for ^{each} individual institution within the system,
and proposed reports relating to the limits.

2. Proposed policies regarding the annual
distribution of tuition and fee revenue and
state general purpose revenue to the
institutions within the system.

3. Proposed policies regarding the
and fee
expenditure of tuition/revenue and state
general purpose revenue by the institutions.

(b)



9
(b)
(2) If the cochairpersons of the joint committee on finance do not notify the ~~secretary~~ within 14 working

Board of Regents proposals paragraph (a)
days after the date on which the ~~secretary~~ submits the plan under ~~sub (b)~~ that the committee has

one or more proposals proposals
scheduled a meeting for the purpose of reviewing the plan, the ~~secretary~~ shall implement the plan. If,

Board of Regents proposals
within 14 working days after the date on which the ~~secretary~~ submits the plan, the cochairpersons of

the joint committee on finance notify the secretary that the committee has scheduled a meeting for the

a proposal proposal
purpose of reviewing the plan, the ~~secretary~~ may implement the plan only as approved, or modified and

Board of Regents
approved, by the committee.

(from 1. 85.62-2)

~~tuition & external state fees (PR) approved~~

~~20.285 (1)(gb)~~

AND SEGREGATED FEES. (CS) 1. (45) TUITION Notwithstanding section 36.27 (1)(a) of the statutes, the Board of

Regents of the University of Wisconsin

System may not charge resident

undergraduates enrolled in the 2013-14
or 2014-15 academic year ^{more in} academic fees

than it charged resident undergraduates
enrolled in the 2012-13 academic year.

2. The limit under subdivision 1. does not apply to differential tuition approved by the Board of Regents before June 1, 2011.

(b) The Board of Regents of the University of Wisconsin System shall ensure that the allocable ~~for~~ segregated fees charged students enrolled at each institution within the system in the 2013-14 and 2014-15 academic years ~~may~~ do not exceed the amount ^{charged} charged in the 2012-13 academic year. " "

(End)

d-note

STATE OF WISCONSIN - LEGISLATIVE REFERENCE BUREAU

LRB

Research (608-266-0341)

Library (608-266-7040)

Legal (608-266-3561)

LRB

PG:eev

DN

date

Emily,

This draft includes item 1 from
= motion 434.

PG

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBb0242/1dn

PG:eev:rs

May 28, 2013

Emily,

This draft includes item 1 from Motion 434.

Peter R. Grant
Managing Attorney
Phone: (608) 267-3362
E-mail: peter.grant@legis.wisconsin.gov

Grant, Peter

From: Pope, Emily
Sent: Wednesday, May 29, 2013 4:29 PM
To: Grant, Peter
Cc: Kunkel, Mark
Subject: RE: Omnibus

Peter:

I don't think you need to add "college campuses" to the lines you cited in your email. As I noted in the email I sent to Mark, the definition of "institution" includes the "University of Wisconsin colleges." I don't think we need to know how balances are determined for each UW Colleges campuses or how tuition and fees revenues are distributed to each campus, but rather how the balances are determined and tuition and fees are distributed to the UW Colleges as a whole (which is included in the definition of "institution"). However, it may be appropriate to add the extension to the lines you mentioned. I have generally interpreted "institutions" to include the extension under the phrase "organizational equivalent as designated by the Board," but I don't have anything I can cite where the Board has designated the extension as an institution. I do think the phrase "college campuses" should be added to the end of line 2 on page 3. There should also probably be a reference to "each institution" somewhere in (4n)(a).

Let me know if you have more questions.

Emily

Emily Eleanor Pope, Fiscal Analyst
Wisconsin Legislative Fiscal Bureau
One East Main St., Suite 301

Telephone: (608) 266-3847
Fax: (608) 267-6873
Email: Emily.Pope@legis.state.wi.us

From: Grant, Peter
Sent: Wednesday, May 29, 2013 3:55 PM
To: Pope, Emily
Cc: Kunkel, Mark
Subject: FW: Omnibus

Emily, based on your emails with Mark, I think I should redraft b0242. On page 2, lines 2, 5, and 7, and on page 3, line2, I think I should add college campuses. What do you think?

Peter

From: Kunkel, Mark
Sent: Wednesday, May 29, 2013 3:18 PM
To: Pope, Emily
Cc: Grant, Peter
Subject: RE: Omnibus



State of Wisconsin
2013 - 2014 LEGISLATURE



LRBb0242/1

PG:eev:rs

Stays

LFB:.....Pope – Account balances; tuition and fee limits

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO ASSEMBLY BILL 40

1 At the locations indicated, amend the bill as follows:

2 1. Page 1043, line 20: after that line insert:

3 “(4L) ACCOUNT BALANCES; METHODOLOGY.”

4 (a) The Board of Regents of the University of Wisconsin System shall develop
5 a methodology for the calculation of balances in the tuition and extension fees
6 accounts and in other relevant accounts, as determined by the board. By September
7 1, 2013, the Board of Regents shall submit its proposed methodology to the joint
8 legislative audit committee for approval, modification, or disapproval.

9 (4m) LIMITS ON ACCOUNT BALANCES; DISTRIBUTION AND EXPENDITURE OF FUNDS.

10 (b) ~~(a)~~ By January 1, 2014, the Board of Regents of the University of Wisconsin
11 System shall submit to the joint committee on finance all of the following:

1 1. Proposed limits on account balances for the University of Wisconsin System
2 as a whole and for each individual institution ~~within the system~~ and proposed
3 reports relating to the limits.

4 2. Proposed policies regarding the annual distribution of tuition and fee
5 revenue and state general purpose revenue to ~~the institutions within the system~~ ^{each institution}.

6 3. Proposed policies regarding the expenditure of tuition and fee revenue and
7 state general purpose revenue by ~~the institutions~~ ^{each institution}.

8 (c) ~~(b)~~ If the cochairpersons of the joint committee on finance do not notify the
9 Board of Regents within 14 working days after the date on which the Board of
10 Regents submits the proposals under paragraph ~~(a)~~ ^(b) that the committee has
11 scheduled a meeting for the purpose of reviewing one or more proposals, the Board
12 of Regents shall implement the proposals. If, within 14 working days after the date
13 on which the Board of Regents submits the proposals, the cochairpersons of the joint
14 committee on finance notify the secretary that the committee has scheduled a
15 meeting for the purpose of reviewing a proposal, the Board of Regents may
16 implement the proposal only as approved, or modified and approved, by the
17 committee.

18 (4n) TUITION AND SEGREGATED FEES.

19 (a) 1. Notwithstanding section 36.27 (1) (a) of the statutes, the Board of Regents
20 of the University of Wisconsin System may not charge resident undergraduates
21 enrolled ^{in an institution or college campus} in the 2013-14 or 2014-15 academic year more in academic fees than it
22 charged resident undergraduates enrolled ^{in that institution or college campus} in the 2012-13 academic year.

23 2. The limit under subdivision 1. does not apply to differential tuition approved
24 by the Board of Regents before June 1, 2011.

- 1 (b) The Board of Regents of the University of Wisconsin System shall ensure
2 that the allocable segregated fees charged students enrolled ^{in an} at each institution
3 ~~within the system~~ in the 2013-14 and 2014-15 academic years do not exceed the
4 ~~amount~~ charged in the 2012-13 academic year.”

5

(END)

allocable
segregated
fees

or college campus

students enrolled in that
institution or college campus



1-9

(a) In this subsection, "institution" has the meaning given in section 36.05 (9) of the statutes and includes the University of Wisconsin Colleges and the extension.

Kunkel, Mark

From: Pope, Emily
Sent: Wednesday, June 05, 2013 9:30 AM
To: Grant, Peter; Kunkel, Mark
Subject: Motion 999

Mark and Peter:

There are a couple of items related to the UW in the JFC wrap-up motion that will have to be drafted. Item #3 of the motion effects two drafts that you have already done: 242 and 282. Mark: Gordon's draft transferring funds from the UW to HEAB is LRB #211/3. I think the second half of #3 of the motion (starting with "in addition") could be accomplished by adding references to 9248(1e) in 9148(5e) as created by LRB #282/3. Item #2 of motion 999 deals with the Center for Investigative Journalism. I think this will need its own draft.

Please let me know if you have any questions.

Thanks,
Emily



999.pdf

Emily Eleanor Pope, Fiscal Analyst
Wisconsin Legislative Fiscal Bureau
One East Main St., Suite 301

Telephone: (608) 266-3847
Fax: (608) 267-6873
Email: Emily.Pope@legis.state.wi.us

BUDGET MODIFICATIONS

Motion:

Move to:

Education and Building Program

1. *State Laboratory of Hygiene OWI Testing.* Require the Board of Regents to transfer \$136,400 in 2013-14 and 2014-15 from the UW System's program revenue appropriation balances to the appropriation titled "State Laboratory of Hygiene, drivers." Funding provided through this appropriation is used to support the testing of blood samples for alcohol, controlled substances, and other drugs under the state implied consent laws. In addition, create 2.0 two-year project positions under the State Laboratory of Hygiene beginning in 2013-14.

2. *Center for Investigative Journalism.* Prohibit the Board of Regents from permitting the Center for Investigative Journalism to occupy any facilities owned or leased by the Board of Regents. In addition, prohibit UW employees from doing any work related to the Center for Investigative Journalism as part of their duties as a UW employee.

3. *UW System PR Balances.* Clarify earlier Committee action to specify that the Board of Regents would develop an appropriate methodology to calculate program revenue balances and reserves, expressed both in dollar terms as well as a percentage of total annual expenses, for the UW System as a whole and for individual UW institutions. As under earlier Committee action, the proposed methodology must be submitted to the Joint Audit Committee by September 1, 2013, for its review and approval. In addition, require that the plan submitted by the Board relating to sources of PR funds include the moneys that would be transferred to an appropriation under HEAB for the WHEG-UW program.

4. *Radio Tower Siting.* Clarify earlier Committee action relating to siting of radio towers to include counties, cities, villages, and towns, rather than only cities and towns.

General Government and Justice

5. *Juvenile Placements in Juvenile Detention Facilities.* Modify s. 938.34(3)(f) of the statutes to authorize a juvenile's placement from 180 days to 365 days at a juvenile detention facility, a juvenile portion of a county jail, or a place of non-secure custody designated by the court.

6. *Modifying Statutory Language Relating to Product Liability Law.* Modify current law relating to product liability provisions, as follows:



State of Wisconsin
2013 - 2014 LEGISLATURE



LRBb0242/2

PG:eev:jf

stays

RM
has
been
run

6 - note

LFB:.....Pope – Account balances; tuition and fee limits

FOR 2013-2015 BUDGET – NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO ASSEMBLY BILL 40

INSERT 1-6

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 1043, line 20: after that line insert:

3 “(4L) ACCOUNT BALANCES; METHODOLOGY. The Board of Regents of the University
4 of Wisconsin System shall develop a methodology for the calculation of balances in
5 the tuition and extension fees accounts and in other relevant accounts, as
6 determined by the board. By September 1, 2013, the Board of Regents shall submit
7 its proposed methodology to the joint legislative audit committee for approval,
8 modification, or disapproval.

9 (4m) LIMITS ON ACCOUNT BALANCES; DISTRIBUTION AND EXPENDITURE OF FUNDS.

10 (a) In this subsection, “institution” has the meaning given in section 36.05 (9)
11 of the statutes and includes the University of Wisconsin Colleges and the extension.

1 (b) By January 1, 2014, the Board of Regents of the University of Wisconsin
2 System shall submit to the joint committee on finance all of the following:

3 1. Proposed limits on account balances for the University of Wisconsin System
4 as a whole and for each individual institution and proposed reports relating to the
5 limits.

6 2. Proposed policies regarding the annual distribution of tuition and fee
7 revenue and state general purpose revenue to each institution.

8 3. Proposed policies regarding the expenditure of tuition and fee revenue and
9 state general purpose revenue by each institution.

10 (c) If the cochairpersons of the joint committee on finance do not notify the
11 Board of Regents within 14 working days after the date on which the Board of
12 Regents submits the proposals under paragraph (b) that the committee has
13 scheduled a meeting for the purpose of reviewing one or more proposals, the Board
14 of Regents shall implement the proposals. If, within 14 working days after the date
15 on which the Board of Regents submits the proposals, the cochairpersons of the joint
16 committee on finance notify the secretary that the committee has scheduled a
17 meeting for the purpose of reviewing a proposal, the Board of Regents may
18 implement the proposal only as approved, or modified and approved, by the
19 committee.

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21 (a) 1. Notwithstanding section 36.27 (1) (a) of the statutes, the Board of Regents
22 of the University of Wisconsin System may not charge resident undergraduates
23 enrolled in an institution or college campus in the 2013–14 or 2014–15 academic year
24 more in academic fees than it charged resident undergraduates enrolled in that
25 institution or college campus in the 2012–13 academic year.

2. The limit under subdivision 1. does not apply to differential tuition approved by the Board of Regents before June 1, 2011.

(b) The Board of Regents of the University of Wisconsin System shall ensure that the allocable segregated fees charged students enrolled in an institution or college campus in the 2013–14 and 2014–15 academic years do not exceed the allocable segregated fees charged students enrolled in that institution or college campus in the 2012–13 academic year.”.

(END)

2 Note

**2013-2014 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRBb0242/3ins
MDK:.....

INSERT 1-6:

program revenue balances and reserves, expressed in both dollars and as percentages of total annual expenses, for the University of Wisconsin System as a whole and for individual University of Wisconsin institutions

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBb0242/3dn

MDK...

gf

Date

Emily Pope:

This version is revised to reflect the first part of item 3 of motion 999.

Mark D. Kunkel
Senior Legislative Attorney
Phone: (608) 266-0131
E-mail: mark.kunkel@legis.wisconsin.gov

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBb0242/3dn
MDK:kjf:rs

June 5, 2013

Emily Pope:

This version is revised to reflect the first part of item 3 of motion 999.

Mark D. Kunkel
Senior Legislative Attorney
Phone: (608) 266-0131
E-mail: mark.kunkel@legis.wisconsin.gov



State of Wisconsin
2013 - 2014 LEGISLATURE



LRBb0242/3
PG:eev:rs

LFB:.....Pope – Account balances; tuition and fee limits

FOR 2013-2015 BUDGET -- NOT READY FOR INTRODUCTION

ASSEMBLY AMENDMENT ,

TO ASSEMBLY BILL 40

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 1043, line 20: after that line insert:

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4 of Wisconsin System shall develop a methodology for the calculation of program
5 revenue balances and reserves, expressed in both dollars and as percentages of total
6 annual expenses, for the University of Wisconsin System as a whole and for
7 individual University of Wisconsin institutions. By September 1, 2013, the Board of
8 Regents shall submit its proposed methodology to the joint legislative audit
9 committee for approval, modification, or disapproval.

10 (4m) LIMITS ON ACCOUNT BALANCES; DISTRIBUTION AND EXPENDITURE OF FUNDS.

has defined in section 36.05(9)
of the statutes and the extension

1 (a) In this subsection, "institution" has the meaning given in section 36.05 (9)
2 of the statutes and includes the University of Wisconsin Colleges and the extension.

3 (b) By January 1, 2014, the Board of Regents of the University of Wisconsin
4 System shall submit to the joint committee on finance all of the following:

5 1. Proposed limits on ^{program revenue} account balances for the University of Wisconsin System
6 as a whole and for each individual institution and proposed reports relating to the
7 limits.

8 2. Proposed policies regarding the annual distribution of tuition and fee
9 revenue and state general purpose revenue to each institution.

10 3. Proposed policies regarding the expenditure of tuition and fee revenue and
11 state general purpose revenue by each institution.

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13 Board of Regents within 14 working days after the date on which the Board of
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1 more in academic fees than it charged resident undergraduates enrolled in that
2 institution or college campus in the 2012-13 academic year.

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4 by the Board of Regents before June 1, 2011.

5 (b) The Board of Regents of the University of Wisconsin System shall ensure
6 that the allocable segregated fees charged students enrolled in an institution or
7 college campus in the 2013-14 and 2014-15 academic years do not exceed the
8 allocable segregated fees charged students enrolled in that institution or college
9 campus in the 2012-13 academic year.”.

10 (END)



State of Wisconsin
2013 - 2014 LEGISLATURE



LRBb0242/4
PG:eev:jm

LFB:.....Pope – Account balances; tuition and fee limits

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO ASSEMBLY BILL 40

At the locations indicated, amend the bill as follows:

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8 allocable segregated fees charged students enrolled in that institution or college
9 campus in the 2012–13 academic year.”.

10 (END)